

International news agencies and their cartel in the context of business history*

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Abstract

A central argument of my ongoing research is that understanding the competitive forces of the news industry will help scholars to analyse the history of the mass media. This paper assesses the influence of competitive forces on corporate form in international news agencies between 1850 and 1945, and in turn analyses the effects of corporate form on the collection and distribution of news. I find that corporate form has had a significant impact on the means and methods of news collection and distribution, both domestically and internationally.

1 Introduction

Although business historians have called for increased research of service industries, scant attention has been given to history of news media. Much literature in the field of journalism history describes those bodies orbiting the industry – culture, law, politics, the public sphere, etc. – and their relation to journalism, which, however necessary, does so without adequately explaining the constitution of the

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industry. It is the chief contention of this paper that a study of the news industry with a focus on its endogenous, competitive forces, is critical to understanding the history of mass media, and integral to appreciating fully how it has functioned in society.

News agencies, having emerged in most countries simultaneously with mass circulation newspapers, present for the historian an opportunity for international comparison, and the relationship between news agencies and newspapers is a microcosm of the competitive forces in news industries. These forces are most effectively observed in the context of corporate form. In this paper I attempt to explain: 1) the importance of internal competitive forces in determining news agency corporate form; and 2) the influence of corporate form in news collection.

The competitive forces that have shaped the media are little different from other industries, namely: the threat of new entrants; bargaining power of customers and suppliers; threat of substitute products; and jockeying among current contestants.¹ It is, however, difficult to state precisely what exactly newspapers compete for and how. It seems clear that newspapers compete for audiences, which are then sold to advertisers, but the question is complex because the market in which they deal is diffuse and variable and the commodity in which they trade is unusual.

A number of factors determine the boundaries of newspaper markets, among which the most important may be area of coverage. The flow of information, the course of which is subject to geography and technology, determines area of coverage. Geographically speaking, several types of newspaper exist, among which the three most prevalent are local, regional and national. The degree to which these newspapers interact and compete has in part to do with the interconnectedness of the economy and the corresponding flow of information, but generally, and for the sake of simplification, the relationship among these several classes of newspaper may be said to depict a series of concentric circles – the local newspapers nested inside the territory of the regional newspapers, which are in turn circumscribed by the territory of the national newspapers.

Jockeying among contestants occurs between like publications and between newspapers of different classes. Competition for territory directly affects circula-

¹Porter, M. 'How competitive forces shape strategy', *Harvard Business Review* (March-April 1979), 137-145

tion and indirectly influences in which markets newspapers may solicit advertising. The geographic factors that shape the field of competition include: proximity to the point of news collection and the location and circulation of competing newspapers. Local newspapers actively compete against each other, and they may share their collective territory with a regional or national publication. Although provincial newspapers pose little threat to large metropolitan dailies, urban publications may invade the provinces, and in so doing confine a newspaper to a specific territory, restrict it to covering only local news or detract from its potential advertising revenue. A Detroit newspaper, for example, may find itself in a difficult position – its circulation curtailed to the north by the Canadian border, to the south-west by widely circulating Chicago newspapers and to the south-east by the papers of Cleveland – to the extent that in different geographic circumstances a city of similar size might serve a larger market.

Times zones introduce another variable. In the dissemination of information across countries that span more than one time zone, such as Canada and the United States, and across national boundaries, publication time, and the time at which news was dispatched, influenced access. News published in New York could be easily lifted from front pages and telegraphed to San Francisco for publication. Owing to time difference, copy sent to Japan from American papers was only publishable at specific times and by a particular class of newspaper. Markets are also influenced by regional differences – thus, export of newspapers is nominal – and by communications technology (e.g. pony express, railways, telegraph, radio, television and Internet), which alters the speed not only at which news may be collected, but also distributed.

Starting during the second half of the nineteenth century, publication of multiple daily editions, which enabled greater throughput and increased advertising revenue, and the emergence of a strong evening newspaper field, created another competitive catalyst. Morning newspapers, for example, sought to withhold from evening newspapers, and retain for their own publication, information pertaining to news events occurring during the day. Publication at different times shortened further the already transient shelf-life of news and increased competition.

Of course, not all news is born equal. There are two broad categories of news: spontaneous and manufactured. Spontaneous or spot news contains not only such

things as natural disasters or political debates, but the variety of news put out by various bodies. This news comes to news outlets either direct – for example, through publicity agents or stock exchanges – or indirect, as through news agencies. Manufactured news is created, or dug up by the paper itself. For example, an exclusive interview or investigative report. Sometimes a spontaneous story will have a manufactured follow-up – e.g., an interview with a widow after a terrorist bombing.

It is in the arena of manufactured news, more so than spontaneous news, that newspapers achieve advantage, because this sort of reporting offers a greater opportunity for individual enterprise, and, by extension, the development of reputation and goodwill. Nevertheless, newspapers are obliged to cover all spot news of probable importance to their readers. There being so little value in spot news, however, competing for its collection is ruinous because doing so detracts from those funds that might otherwise be employed in manufactured news. In short, spontaneous news has high opportunity costs.

It is advantageous, therefore, to cooperate or rely on a third-party, and thereby spread costs and alleviate the threat of competition, in the collection of spontaneous news. This may be achieved, albeit with different results, either through the market or through vertical integration. Reuters, being a proprietary agency established to sell information, is an example of the former; Associated Press (AP), being formed and owned by several American newspapers, is an example of the latter. The principal difference between the two models being that proprietary agencies, like Reuters, exist foremost to make profit, while mutual agencies, being organised along not-for-profit lines, such as AP, exist foremost to gather news.

AP, being a product of vertical integration, gained by having its clientele invested in its continued success, but the association was subject to principal-agent problems because the newspapers which owned and managed it tended to act in their own interest, often to the detriment of lesser newspapers within the association and certainly to those publications barred from membership. Reuters, being a joint-stock company run by independent managers, had greater mobility in serving clients and increased adaptability in developing new services, but being subject to a substantial profit motive it encountered difficulties meeting the varied expectations of its newspaper clientele.

Despite these fundamental differences in organisation, between the late 1850s and 1930s, AP and Reuters, along with the national agencies of France and Germany, were the key members of an international cartel of news agencies. These organisations, like the newspapers they served, discovered that it was disadvantageous to compete directly for spot news, and their cartel ensured adequate coverage, while raising barriers to entry. In addition, cartel agreements specified markets in which each agency could sell its news. Although the flow of news abroad and the establishment of bureaux in foreign countries was highly subject to economic, political and social considerations, such as international trade, imperial interests and cultural affinity, news exchange among countries was also influenced by corporate form. This particular aspect, being less frequently considered, receives emphasis in this paper.

2 The Associated Press

Cooperation in the collection of spontaneous news was not only intended to limit competition, and thereby lower opportunity costs associated with such news collection, it was also an instrument of control. In the 1840s, competition among the newspapers of New York City for European news caused these papers to cooperate. Cooperation reduced the opportunity costs associated with spot news collection and permitted investment in special correspondence, which was certainly a more profitable employment of funds than ruinous competition for summary news dispatches. After the formation of their partnership, the New York *Commerce and Enquirer*, for example, dispensed with its Liverpool staff and instructed its London correspondent to focus on special articles and cease sending summary reports.²

Geographic proximity to the point of reception enabled the New York papers to exert control over European news and to sell this news at profit to other associations that emerged throughout the country as the telegraph network expanded. These associations also existed to limit competition among the several large newspapers of a particular region and to manage the distribution of information to peripheral publications. Technology mitigated the ability of particular agencies

²Henry J. Raymond papers, New York Public Library

to dominate the flow of information by affording alternative avenues for the gathering and distribution of news. Although the New York association retained a dominant position until the 1890s, the advent of a trans-Atlantic cable in 1866 diffused access to news information from Europe and loosened the grip of the New York association over other agencies. With direct access to Europe, the western association, which included papers in the growing cities of the mid-west, found it could cut out the middleman and obtain its news independently of New York.

On the one hand, technology could act as a schismatic force, improving access to information for user groups otherwise operating at a geographic disadvantage; on the other hand, the power of technology, embodied in this instance by Western Union, at times unified an otherwise disparate industry against a potential invader. For example, in 1882, owing to the consolidation of Western Union, the western and New York associations joined forces ostensibly to prevent the telegraph company from entering the news business.³ Although the three parties signed a contract demarcating their respective areas of operation, the agreement did not preclude either news association from vying for control over the other. Thus, in 1893, when the contract of 1882 with Western Union expired and there was an opportunity for revision of terms, the western association broke away to form what became Associated Press (AP).

This sort of competition, predicated on access to information, occurred within and between classes of newspapers, and between different geographic areas. Due to their position and status within a hierarchy of locations, major cities acted as clearing houses of information, sending and receiving most information to and from similarly sized cities, and exchanging a smaller, but consistent amount of information with secondary locations.⁽¹⁾ These information flows produced a complex lattice of relationships, in which particular nodes, in this instance Chicago and New York, but also smaller cities such as Boston and San Francisco, vied for municipal, regional, state and national control. This polyvalent competitive matrix produced a network effect that engendered specific forms of corporate organisation.

Within municipalities and regions the larger competing newspapers created partnerships, which ensured their control, and treated lesser papers as clients. These associations arranged exclusionary contracts with their members and clients

³Cyrus Field papers, New York Public Library

for the exchange of news. In exchange for exclusive access to a publication's spot news, the association granted franchise rights that barred prospective competitors from receiving its news report. These regional associations paid dividends to a select group of stockholding members. Such practice invariably engendered dissatisfaction among papers outside the inner circle who felt they were subsidising the newsgathering efforts of a select group. Potential economies made a nationwide organisation desirable, but the interconnected American market necessitated a method of decentralised organisation, which simultaneously allowed the major papers to retain control, placated the large class of smaller newspapers while binding them to the association, and ensured access proportionate to individual needs. The mid-western papers developed a not-for-profit model to achieve these ends.

In 1893, when the western association split from its New York partner to form AP, a war broke out for control of the country between the newly formed not-for-profit organisation and the proprietary organisation in New York. During the ensuing battle, AP garnered support from the smaller papers throughout the country by promising them a say in the management of the news agency. In practice, this was little different from having say of shareholders in a joint-stock company, but the agency also, and more importantly, contracted to charge for news services on a cost basis as opposed to on a remunerative one. The chief advantage of this organisational model was the absence of a profit motive, which, at least in theory, permitted the apportioning of news-collection costs on a basis of equitable assessments determined by newspaper circulation and size of publication territory. This attribute was so important because newspapers were loath to fill capitalist coffers by paying more than the cost of collection for a commodity of uncertain value. This system of pricing kept newspapers tied to AP and ensured its continued success.

To entice larger newspapers to membership AP issued stock for placement with a select group of first-class publications. These shares, being part of a not-for-profit company, did not pay dividends, but ensured to stockholders a proportionate number of votes in the appointment of a board. In this way control of the association was geographically dispersed, but retained by a particular class of newspaper. Stockholding members held the vast majority of votes compared with second-class newspapers, which held only one vote each. In return for agreeing to

provide their news exclusively to AP, the association promised members veto on future membership applications to protect their territory from new entrants. It is noteworthy, that AP, based in Chicago, was able through innovation in corporate form to drive into bankruptcy the initially wealthier organisation of New York.

Of course, exclusionary membership clauses invited the creation of rival news agencies. The stated object of the AP founders, however, was a dominant national agency including all major newspapers, so that the establishment of effective competition was impossible. Newspapers in competing organisations were threatened with exclusion and subordinate status if they did not promptly join. The founders even entertained creating a second corporation, secretly owned by AP, to placate newspapers outside the association with a minimal news report.⁴ The association did pursue this strategy during the 1930s to serve broadcasting stations on a profitable basis without inviting them to membership. In practice, however, corralling competition proved impracticable.

A vitiating problem with this form of organisation was that it conduced to conflicts of principals and agents. The tension between market share and market value was the chief source of these problems, as it is in many information industries.⁽²⁾ The largest American newspapers, being virtual owners of the organisation, and having a considerable say in its management, preferred to exclude new members, which, although beneficial to them in the short-term, was disadvantageous to the long-term success of the agency. While management sought to democratise the membership, and thereby limit the effectiveness of competition, members refused to relinquish their protest rights and voted to bar new entrants. In addition, and as the history leading up to the foundation of AP suggests, controlling members employed the agency for their advantage and disregarded the needs of other sectors of the press.

Gradually these conflicts led to reforms, either from within or legally imposed. In 1899, the association was found in restriction of trade for denying access to certain newspapers, and it was forced to liquidate and reincorporate in New York. In 1915 restrictions against taking news services from competing organisations were relaxed, and during the 1930s bylaws were passed requiring appointment to the board of at least three directors representing small-town newspapers. Problems of

⁴Victor Lawson papers, Newberry Library

inequality between morning newspapers and evening newspapers beset the association until the 1940s, and demanded the creation of two virtually separate services. The agency was repeatedly subject to accusations of monopoly, and was several times investigated by government for breach of anti-trust regulation, until it was found guilty by the Supreme Court in 1945, and forced to open its membership to any news outlet capable of paying.

In addition, AP's corporate model inhibited diversification of its news product and hindered the adaptation of new technology. Out of necessity, because it served a large clientele with varying interests and different opinions, AP's news service remained bland after competing proprietary news agencies, such as United Press, developed lively features and special services that appealed to different sectors of the market. Although AP successfully developed new technology for a news-photo service, its implementation engendered animosity between large and small newspapers. Papers with large circulation could afford to pay for the service. Smaller papers, although they could not pay, were required to provide pictures for the service. Subsequently they discovered that the same photos supplied to the association were being used in competition against them by larger members.⁵ The development of broadcasting in the United States created similar problems. Large newspapers established radio stations to compete with broadcasting companies in the transmission of news, and pushed for the AP report to be permitted on air. The majority of newspapers, which could not afford to start radio stations, fulminated against this trend, and prevented AP from serving broadcast companies, while competing agencies gained control of the market.

Managerial failure also contributed to these difficulties. Melville Stone, the association's general manager from 1893 to 1921, was a codger and traditionalist, and slow to catch on to the trend in American journalism toward human interest in news. Kent Cooper, Stone's successor, was forty years younger than Stone, and understood better the implications of telegraphic, telephonic and broadcasting technology. He was more in tune with the needs of association members and he spearheaded the development of a multiplicity of news services, which kept the association in step with its competitors. Cooper, along with Roy Howard at United Press and Sir Roderick Jones at Reuters, was part of a new generation of

⁵Col. Robert McCormick papers, Cantigny

managers, a set of ambitious professionals from working-class backgrounds who had grown up with the telegraph, understood its potential and commanded their organisations with a heavy hand.

3 Reuters

It is interesting to compare the history of Reuters, a proprietary association, with that of AP. Reuters found it difficult, as did so many English companies, to extract profit from the atomistic British market. The geography of the British Isles engendered a hub-and-spoke model of newspaper competition whereby news originated or passed through London before reaching other points of the country. Accordingly, competition developed within the London press and within the provincial press, and between the metropolitan and provincial press. Reuters, being attached to neither party, found itself inconveniently in the middle.

Reuters was initially a provider of foreign news, and it was inhibited from developing its domestic news services by telegraph companies, which controlled all lines radiating from London to the provinces. Repeal of the stamp taxes during the 1850s, coupled with improved telegraphy, precipitated competition for news among provincial newspapers, and caused burgeoning publications such as the *Manchester Guardian* and the *Liverpool Mercury* to accept Reuters' news for the advantage it promised over competitors. The London newspaper market, by contrast, was relatively uncompetitive and dominated by *The Times*. When *The Times* took Reuters' news in the late 1850s, it did so reluctantly because supporting the news agency threatened to diminish the newspaper's competitive advantage in foreign coverage.

The provincial press, which increasingly competed for domestic news, and especially sought greater access to news from London, cooperated during the 1860s to campaign for the nationalisation of telegraph lines. After nationalisation, the Press Association (PA) remained in tact and blocked Reuters from developing in the domestic field. This association was similar in many respects to the nascent American news associations, but unlike AP and its predecessors, the PA formed for defensive reasons, not to control access to news. In addition, because of the hub-and-spoke model of the English news industry, the PA did not encompass the

national newspapers of London.

Only proprietors of provincial newspapers, viz., those papers published within the British Isles outside London, held shares in the association. Holding the requisite number of shares entitled newspapers to receive the PA news services at members' rates of subscription. Non-members were charged 10 per cent more. The number of shares required to qualify for membership varied according to time and frequency of publication. Morning daily newspapers were required to hold the most stock, indeed twice as much as daily evening publications, and weekly papers held a sixth of the shareholding possessed by daily morning publications. The original number of shares required for qualification increased by successive scrip issues, and the morning daily newspapers retained control over the association.⁶

Reuters had in the PA a powerful customer, which used its domestic news report as a bargaining chip for Reuters foreign news. Reuters could not afford to enter the domestic market in competition with the PA, but it relied heavily upon selling the PA's news report abroad. Between 1860 and 1910 the number of newspapers in Britain proliferated, but Reuters could not capitalise on expansion of the domestic newspaper market because it supplied the world's news to the PA at a fixed rate in exchange for the association's domestic report.

Attempts to compensate for limited profits in the provinces by increasing charges to the metropolitan papers met stern refusal, and led to formation of the National Press Association, an organisation of London papers, to which Reuters had to appeal for increased payments. By the 1880s, Reuters charged each London paper an annual subscription of £1,600, or one-fifth of the total paid by the PA. In 1885, when Reuters requested a further increase to provide for the mounting costs of covering General Gordon's escapades in Khartoum, the London press revolted and threatened to form an agency of its own.⁷ Of course, the London papers, having established their own extensive systems for foreign news-gathering, had less use for Reuters' news than did their provincial counterparts.

Inadequate revenues at home caused the company to press the sale of its news abroad, and, at an early date, to diversify its business. Reuters developed a

⁶Reuters Archive, 'The Press Association', 1961

⁷"War on Reuter: London papers and news agency at loggerheads", *The Milwaukee Sentinel*, 30 June 1885

private telegram and remittance service, which led to a failed attempt at banking, and an advertising department. These alternative services, although palliative, sustained the agency on shaky ground that crumbled with the onset of World War I. The company's advertising business generated considerable ill-will between the agency and the British press. Furthermore, the funding and management of these secondary services, which proved more remunerative than the sale of news, appear to have detracted resources from the news service, and thereby increased newspaper dissatisfaction.

During the inter-war period the British press grew in value and output, but became increasingly concentrated. The largest of these media companies were the Rothermere and Berry groups. In particular the Berry group had its greatest strength in the provinces. These two groups, in conjunction with the Starmer group, which owned 30 provincial newspapers, and Provincial Newspapers, a subsidiary of Inveresk, a paper-making concern, along with several large compact groups (Beverbrook, Cadbury, Odhams, et al.) largely controlled the British press by the 1930s. Independent newspapers were scarce. There remained among London national dailies only *The Times*, changes of proprietorship of which were regulated by a trust agreement, and the *Morning Post*, owned by a group of conservatives. Outside London the leading independent newspapers were the *Manchester Guardian*, *Yorkshire Post*, *Glasgow Herald* and *Scotsman*, with their satellite evening journals.

This level of concentration made it easier for Reuters to negotiate with and to bind itself to the press, and thereby ensure the agency's continued operation, than it might otherwise have been had the market remained disparate and independent. Reuters' management originally contemplated selling control of the agency to the London and provincial press alike, so as to have two equal partners on the board who could be manoeuvred, but negotiations broke down when the metropolitan papers refused to share control with their country brethren. Several conglomerates owning newspaper properties in London and the provinces did, however, take up shares in Reuters on behalf of their provincial publications. The PA, which during the 1920s asserted its role as Britain's national news agency, sought power over Reuters, and pressed on with negotiations despite paying excessively for ownership.

Once control passed to the PA in 1930, Reuters had to improve its news service

to better meet the needs of its new owners. By 1932, significant editorial reforms were instituted making the news report cheaper to provide and more useful to newspapers. Analysis of use by all the London papers, morning and evening, and four representative provincial newspapers of Reuters news during the summer of 1932 showed a noticeable increase in use, as well as greater play of Reuters' material in the provincial newspapers than those in London, which widened the gap between payments to the agency from both groups of newspapers.

Between 1930 and 1942, Reuters and the PA remained under separate management. It became increasingly clear that the provincial press had little intention of paying Reuters' profits; the PA, to bolster its own revenues and as part of its programme to become the nation's national agency, actively blocked development of Reuters commercial services within Britain by developing its own service with EXTEL, a domestic agency that specialised in commercial information. The PA had all along disliked contributing toward Reuters' proceeds and, with the company under its control, it expected to pay cost. Reuters' management persistent pursuit of profit led eventually to schism and the forced resignation by the PA of Reuters' general manager. Shouldered with the agency's high expenditures, the PA pursued a modus vivendi with the London press, resulting in a trust agreement in 1942. Table 1 shows the effects of these changes in ownership structure on the payments by the provincial and metropolitan press.

Table 1: PA-NPA subscription comparison, 1925 - 1948. (£)

	PA subscription	NPA subscription
1925 (pre-PA ownership)	16,000	37,000
1930 (first contract under PA ownership)	42,000	39,000
1941 (last year of PA ownership)	59,000	30,000
1942 (first year of joint ownership)	59,000	56,000
1948 (first post-war contract)	130,000	130,000

The competing forces of the British press, which initially made it difficult for Reuters to profit on the sale of its domestic news services, resolved in the creation of a trust that permitted joint-control by the provincial and metropolitan press of the news agency. A joint-stock proprietary model of organisation proved more

flexible, in terms of editorial reform and the adaptation of new technology, and more open, in terms of the company's willingness to provide its news report to sundry publications, than the not-for-profit corporate form of AP. Reuters' pursuit of profit, however, at times hindered the development of a robust news report and caused increasing emphasis to be placed on the company's more remunerative alternative services, especially the development of its commercial news business.

To increase revenues Reuters made early and considerable efforts to advance its use of broadcasting, particularly in the development of its financial services. Although the company was from the outset involved in the commercial news business, technological limitations prevented implementation of anything more complex than the reporting of prices current, which businesses increasingly undertook independently. While cables, land-lines and telephones all performed essential functions and were extensively used, it was only via wireless that simultaneous communication to large numbers of widely separated points, irrespective of distance, could be achieved.

Between 1869 and 1915, the average return on Reuters' commercial services constituted less than 2 per cent of total profits. By 1934, the whole of Reuters revenue from the British press, i.e. from the PA and the London newspapers, represented but two-thirds of the commercial service revenue from the Far East alone.⁸ Concerted development of the company's commercial services permitted economies previously unavailable to Reuters, and not viable under its other schemes of diversification, through the reuse and repackaging of information already obtained. Thus, the development of Reuters' financial services and its importance may be partially understood as a consequence of the competitive forces within the British newspaper industry.

4 Cartel

The flow of information is a complex process dependent upon a wide range of economic, political, social and technological factors. At the risk of oversimplifying the intricacy of international relations, this section highlights the importance of

⁸Reuters Archive, J. 1.39, 23 Oct. 1934

corporate form in international information flows. The corporate form of Reuters and AP influenced their ability to provide services abroad. Likewise, the newspaper industries in foreign markets determined to what extent these agencies could gain a foothold.

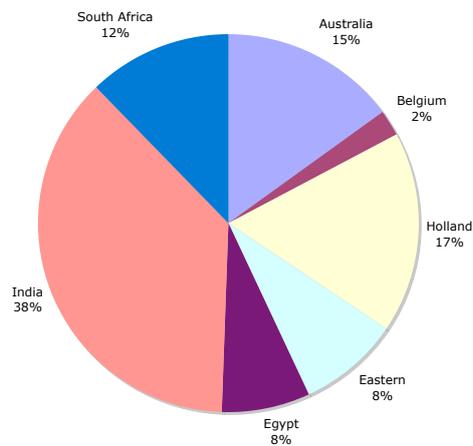


Figure 1: Agency Profit as % of Overseas Profits, 1869-1940

Reuters' strategy in the dominions, generally defined, was to bind the press to its side, and thereby ensure its continued dominance and profit. The success of this tactic depended principally upon the strength of the domestic press in each country. Figure 1 illustrates according to country the percentage profit Reuters derived from overseas operations. Perhaps the most striking aspect of Figure 1 is that the English-speaking dominions were not more profitable. Australia in particular showed a measly profit compared with India, for example, and profits from South Africa were only marginally less than Reuters' interests in Holland. Canada does not figure in this graph because the Canadian press obtained its news more cheaply from New York through AP rather than having it telegraphed

across the Atlantic.

One might reasonably expect that given the difficulties of translation and the likelihood of larger cultural differences between nations with different languages that Reuters' news services would have fared better in English-speaking countries than in non-English speaking countries. Furthermore, it seems reasonable to expect that the dominions with a wealthier press, such as Australia, would provide a larger percentage of revenue than those with poorer newspapers, such as in India, or that news agencies in foreign countries such as Holland would be reluctant for reasons of national pride and security to take so much of their news from Reuters.

Table 2 outlines the relationship of Reuters to the press in the dominions. In Australia, where the domestic press proved strong and recalcitrant, Reuters found it exceedingly difficult, so soon as telegraph tariffs to the Antipodes were lowered in the 1870s, to reign in independent-minded newspapers. Naturally, these newspapers were reluctant to pay Reuters a profit for what they could accomplish at cost. The creation of an Australian news agency during the 1880s, which established its own offices in London, precipitated a 57 per cent drop in Reuters' revenue from the region. What enabled Reuters to retain a presence in Australia was the exclusionary policy of the Australian agency. The large newspapers that founded the agency, much like their counterparts in the United States, used their power to exercise control over the import of foreign news. This enabled Reuters to sell its news exclusively to the Australian association or to threaten providing it to those newspapers excluded from membership.

Table 2: Reuters' Imperial Relations

Country	Local Environment	News Agreement
Australia	Autonomous cooperative	Considerable local enterprise
Canada	Autonomous cooperative	News obtained principally from AP
India	Reuters subsidiary	Reuters monopoly
South Africa	Partially owned subsidiary	Favourable differential

A similar crisis emerged in South Africa before World War I. Growing in prestige after the Boer War, the South African press also chafed under Reuters' hegemony and sought to form an independent agency. In this instance, however, Rod-

erick Jones, Reuters' representative in the dominion, realised that by fomenting formulation of an association among the provincial press of South Africa to resist the more influential city newspapers of Cape Town and Johannesburg Reuters could retain control over both. In this way, Reuters was able, as an independent third-party, to sponsor creation of a partnership which unified the South African press under its control while granting the press a limited degree of freedom. Jones, who became general manager of Reuters in 1915, attempted to work a similar strategy in England, as explained above, by selling a controlling interest in Reuters to the London and British provincial press.

Holland and India brought Reuters considerable revenues because in these countries the agency provided both foreign and domestic news. In the 1860s, Reuters gave financial backing for the creation of a Dutch news agency in which it retained a controlling interest until 1935. The Dutch agency received Reuters news report exclusively. Desire for independence during the inter-war period caused Reuters to sell its subsidiary at considerable profit to a venture backed by the Dutch government.

Despite attempts at independence, Reuters was able to successfully subdue the Indian vernacular press and to establish a fully-owned subsidiary run by Indians. This agency collected and distributed domestic news and received its foreign news from Reuters. Reuters was able to achieve this dominant position largely because of the weak state of the vernacular press, and because of the inability of the Indian press to organise an effective independent national agency. Of course, Reuters did all it could to prevent this development by pitting different city newspapers against each other and against publications in the Indian provinces. In addition, several of the wealthiest newspapers in India were English-owned, and these papers were happy to have Reuters serve as their principal source of foreign news because so long as the agency retained control over the Indian market these papers were also assured continued benefits.

Aside from Reuters' success in Holland and India, which were exceptional cases, the company's fortunes abroad were in a continuous state of flux. There was no time at which the company could rest easy and every time contracts in the dominions or elsewhere were up for renewal the company feared a new independence movement despite the agency's need to eke ever more revenue out of the foreign

press. This was particularly true outside the dominions, where Reuters attempted as well as it was able to use its monopoly position to its advantage.

One of the cartel's principal functions was to ensure to each member a monopoly over the sale of information in its respective territory. Reuters relied extensively upon the cartel to safeguard its revenues abroad. The agency's standing and its revenue were severely undermined by the entrance of competitors, which began following World War I and intensified during the 1930s as the international cartel of news agencies fell apart. Japan serves as a case in point.

Reuters had been in Japan since the 1870s, and it was the only service there until the 1920s. Japan's push toward modernisation and the growth of nationalism after World War I led to the formation of a national news agency, which sought independence from Reuters after the invention of short-wave wireless communication in 1923. The invention of short-wave broadcasting established an inexpensive and operational connection between Japan and the United States.

Reuters was able to retain control of the Japanese agency's supply of foreign news until 1933, when AP abruptly entered the field. In part, AP's decision to enter Japan was due to impetus from its members and increased competition in the Far East from United Press. It was also attributable to a cry for help from the Japanese agency which felt Reuters was overcharging it for foreign news. In addition, AP was motivated by an increase in American business in the region and Kent Cooper's desire to end AP's reliance on Reuters and the other members of the cartel whose reputation had been tarnished by accusations of government control after World War I. Perhaps most significantly, AP's scale of operations was so much larger and more comprehensive than Reuters' that it was inconceivable that the English agency should continue to exercise such control over the international distribution of news information. In 1933, AP's revenue was in excess of \$8 million. Reuters' revenue, by contrast, was slightly under \$1.5 million (£270,000), a relatively paltry turnover considering the considerable devaluation of the dollar that year.

As a not-for-profit organisation, AP could afford to consistently undersell Reuters. Sir Roderick Jones, by this time Reuters general manager and chairman, complained: 'It is practically dumping as far as the Associated Press are concerned. They have always said they were a non-profit-making association, and they have always acted in that sense, with the result that they bring down prices

to a non-remunverative basis'.⁹ Consequently, whereas Reuters news report accounted for seventy to eighty per cent of Japan's foreign news before 1933, by 1936 it accounted for less than five per cent.¹⁰

The reasons for the rapid change in Reuters' reception in Japan were not entirely due to AP; it was also partly political, namely a desire on the part of the Japanese government to no longer depend upon one country for foreign news, as well as resulting from the change in international communications precipitated by the development of wireless. The cost of transmission from San Francisco to Tokyo was 17 sen a word. It was impossible for Reuters to compete on this basis by using the ordinary cable service from London at the press rate of 41.5 sen per word.¹¹

The cartel permitted a degree of competition among the agencies that ensured its continued operation and relatively long existence. It would appear, however, that not until the inter-war period was the movement of international information particularly competitive. It seems Reuters, due to its role in imperial communications, was the only agency considerably concerned with the dispatch of news information abroad prior to 1915. Indeed, until World War I, albeit less so afterward, the several agencies willingly undertook to distribute propaganda from other cartel members. Although by the end of the nineteenth century news agencies employed correspondents throughout the world to collect information for transmission homeward, not until the late 1920s did it become of significant importance to the American, French and German agencies to dispatch large amounts of news abroad. No doubt, this change in practice was largely attributable to the advent of short-wave broadcasting combined with an increased awareness following World War I of the effects of national propaganda.

5 Conclusions

It seems imprudent to draw solid conclusions at this early stage in my research. What has hopefully emerged from this paper is an indication of how the forces of competition within the news industry affected corporate form and how corporate

⁹Reuters Archive, J. 1.38

¹⁰Reuters Archive, J. 1.40

¹¹Reuters Archive, J. 1.40

form influenced news collection and distribution. Competition within the news industry was no doubt similar in many respects to that of other industries. I have tried here to point out some of its unique features. The relationship between news agencies and newspapers, however, is only a small facet of a complex industry.

Perhaps with a better understanding of the impact of competitive forces on the development of the news industry scholars might reassess the role of politics, for example, in the making of the mass media, and attribute greater influence to jockeying among contestants or the threat of new entrants. Further investigation of these forces will help ascertain what accounts for concentration in the news industry, the disappearance of evening editions and why the newspaper business is no longer as competitive as it once was. Insofar as the movement of news information around the world has influenced the processes of globalisation, understanding how the competitive forces within the press functioned, and the consequences they had, will also be useful in understanding domestic and international information flows.

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